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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Wing Cheung *(Chairman)*
Ms. Fung Pik Mei

### Non-executive Director

Mr. Wan Ho Yin

### Independent Non-executive Directors

Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

## AUDIT COMMITTEE

Mr. Shu Wa Tung Laurence *(Chairman)*
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok
Mr. Wan Ho Yin

## REMUNERATION COMMITTEE

Mr. Tam Wing Lok *(Chairman)*
Mr. Lo Wing Cheung
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor

## NOMINATION COMMITTEE

Mr. Lo Wing Cheung *(Chairman)*
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

## COMPANY SECRETARY

Mr. Chau Ka Ho

## AUDITOR

SHINEWING (HK) CPA Limited

## COMPLIANCE ADVISOR

Ample Capital Limited

## AUTHORISED REPRESENTATIVES

Mr. Lo Wing Cheung
Ms. Fung Pik Mei

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO BOX 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

PO BOX 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 806, 8/F
Eastern Centre
1065 King's Road
Quarry Bay
Hong Kong

## SHARE INFORMATION

Ordinary share listing

| | |
|---|---|
| Place of listing | Main Board of The Stock Exchange of Hong Kong Limited |
| Stock code | 06182 |
| Board lot size | 8,000 Shares |

## WEBSITE

www.kwantaieng.com

# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the annual results of Twintek Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018.

On 17 January 2018 (the "**Listing Date**"), the Company's shares were successfully listed on the Main Board (the "**Main Board**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (collectively the "**Listing**"). The Listing has not only marked a significant milestone for the Group in improving its capital strength for its future business development, it has also enhanced its public reputation in the market.

With strong contribution from the segment of supply and installation projects, the revenue of the Group amounted to approximately HK$280.1 million for the year ended 31 March 2018, representing an increase of approximately 38.4% as compared with the revenue for the year ended 31 March 2017 (the "**Previous Year**"). By excluding non-recurring listing expenses, the Group's net profit for the year ended 31 March 2018 was approximately HK$16.0 million (2017: approximately HK$30.2 million). For liquidity and capital position, the Group's current ratio increased to approximately 3.1 times (2017: approximately 1.5 times) and the gearing ratio substantially decreased to approximately 15.9% (2017: approximately 75.3%).

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe the Group can benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. Meanwhile, the Group expects to face challenges from the cost escalation of materials and labour in the construction industry. As at 31 March 2018 (the "**Year Ended Date**"), the aggregate amount of revenue expected to be recognized after the Year Ended Date from the Group's ongoing projects is expected to be over HK$200 million. The Group will endeavor to manage the challenges in the fast changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

Finally, on behalf of the Board, I would like to express our appreciation to all the stakeholders, including but not limited to customers, suppliers, professional parties, shareholders of the Company (the "**Shareholders**") and employees for their contribution to our business development and successful Listing.

Sincerely,
**Twintek Investment Holdings Limited**
**Lo Wing Cheung**
*Chairman*
22 June 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND MARKET PROSPECT

The Board is pleased to announce the results for the year ended 31 March 2018.

The shares of the Company became successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2018 (the "**Listing Date**"). The Listing demonstrates the Group's commitment to the building materials industry and dedication to serving the markets in which the Group operate. The Group provides building material and the relevant installation services mainly in Hong Kong. The Group's products mainly consist of (i) timber flooring products; (ii) interior wall-fill materials, in particular, gypsum block products; (iii) woodwork products; and (iv) roof tiles.

The housing policy continues to be the focal point of the HKSAR government. Under "The Chief Executive's 2017 Policy Address" published by the HKSAR government, the government has committed to a housing supply target of 94,500 units in the next five years. In particular, the government will continue to take forward the new town extension and new development plans in regions such as Tung Chung, Kwu Tung North, Fanling North, Hung Shui Kiu and Yuen Long South in Hong Kong.

The 10-Year Hospital Development Plan announced in "The Chief Executive's 2016 Policy Address" has set aside a dedicated provision of HK$200 billion for the construction of new hospitals and redevelopment/expansion of existing hospitals.

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe the Group can benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. In the meanwhile, the Group expects to face challenges from cost escalation of materials and labour in the construction industry. As at 31 March 2018, the aggregate amount of revenue expected to be recognized after 31 March 2018 from the Group's ongoing projects is expected to be over HK$200 million. The Group will endeavor to manage the challenges in the fast changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was generated from two segments: (i) supply and installation projects; and (ii) sales of building material projects. The Group's total revenue increased by approximately HK$77.8 million, or approximately 38.4%, from approximately HK$202.3 million for the year ended 31 March 2017 (the "**Previous Year**") to approximately HK$280.1 million for the year ended 31 March 2018. Such increase was mainly attributable to the combined effect from (i) the increase in revenue generated from supply and installation projects; and (ii) the decrease in revenue contributed from sales of building materials projects.

### Supply and installation projects

The Group's revenue generated from supply and installation projects recorded a significant increase of approximately HK$93.4 million, or approximately 68.5%, from approximately HK$136.4 million for the Previous Year to approximately HK$229.8 million for the year ended 31 March 2018. Such increase was mainly due to the increase in revenue generated from supply and installation of timber flooring products for the year ended 31 March 2018 by approximately 94.2%.

### Sales of building materials projects

The Group's revenue generated from sales of building materials projects recorded a decrease of approximately HK$15.7 million, or approximately 23.8%, from approximately HK$65.9 million for the Previous Year to approximately HK$50.2 million for the year ended 31 March 2018. Such decrease was mainly attributable to the decrease in contributions from certain sales of building materials projects, namely project A8 and B5 (the "**Two Projects**") as set out in the section headed "Business — Our Projects" in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**"). Due to the completion of the Two Projects during the year ended 31 March 2018, the Group's revenue from sales of building materials projects decreased by approximately 23.8%.

### Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$223.6 million for the year ended 31 March 2018, representing an increase of approximately 61.9% (2017: approximately HK$138.1 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.0% (2017: approximately 95.1%) of the Group's total cost of sales and services for the year ended 31 March 2018.

The Group's material costs mainly comprised of timber flooring materials and gypsum block materials. The increase in material costs for the year ended 31 March 2018 was mainly derived from the timber flooring materials. The Group recorded an increase in purchase cost of timber flooring materials by approximately 112.8%, which was generally in line with the increase in revenue generated from supply and installation of timber flooring projects for the year ended 31 March 2018.

The Group recorded an increase in subcontracting costs under cost of sales and services by approximately 97.1% for the year ended 31 March 2018, which was generally in line with the increase in revenue generated from supply and installation projects for the year ended 31 March 2018.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$7.8 million, or approximately 12.1%, from approximately HK$64.2 million for the Previous Year to approximately HK$56.4 million for the year ended 31 March 2018, while the Group's gross profit margin decreased from approximately 31.7% for the Previous Year to approximately 20.2% for the year ended 31 March 2018.

The gross profit and gross profit margin of the Group's projects are affected by a number of factors, including scope of work, technical complexity, variation orders (if any) and/or work programme, and therefore vary from project to project.

The decrease in gross profit and gross profit margin was mainly due to the decrease in contributions from certain sales of building materials of the Two Projects as mentioned above. Due to the completion of the Two Projects during the year ended 31 March 2018, the contributions of gross profit from the Two Projects decreased by approximately HK$12.1 million.

Other than the abovementioned factors, the decrease in the Group's gross profit margin was attributable to the increase in proportion of the Group's revenue generated from supply and installation projects. In general, the gross profit margin of sales of building material projects is higher than the supply and installation projects. Given the proportion of revenue contribution from supply and installation projects increased from approximately 67.4% to 82.1% of the Group's total revenue, while the revenue contribution from sales of building material projects decreased from approximately 32.6% to 17.9% of the Group's total revenue, the Group's gross profit margin decreased accordingly.

### Other Income

The Group's other income decreased by approximately HK$0.4 million, or approximately 29.5%, from approximately HK$1.2 million for the Previous Year to approximately HK$0.8 million for the year ended 31 March 2018. The decrease in other income was mainly attributable to the net exchange rate difference.

### Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses and storage expenses. The total selling and distribution expenses decreased by approximately HK$0.3 million, or approximately 3.7%, from approximately HK$8.2 million for the Previous Year to approximately HK$7.9 million for the year ended 31 March 2018, mainly due to the decrease in sales of building material projects.

### Administrative Expenses

The Group's administrative expenses increased by approximately HK$21.0 million, or approximately 103.8%, from approximately HK$20.3 million for the Previous Year to approximately HK$41.3 million for the year ended 31 March 2018. The increase in administrative expenses was mainly attributable to (i) the recognition of the non-recurring expenses for the Listing; (ii) the increase in staff costs and professional fees in relation to the business expansion and compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"); and (iii) the net exchange loss in relation to the purchase of materials from overseas.

### Finance Costs

The Group's finance costs decreased by approximately HK$0.1 million, or approximately 3.5%, from approximately HK$2.5 million for the Previous Year to approximately HK$2.4 million for the year ended 31 March 2018. The decrease in finance costs was mainly attributable to the decrease in effective interest rate for the year ended 31 March 2018.

### Income Tax Expenses and Effective Tax Rate

The Group's income tax expenses decreased by approximately HK$2.8 million, or approximately 46.5%, from approximately HK$6.1 million for the Previous Year to approximately HK$3.3 million for the year ended 31 March 2018. Such decrease was generally in line with the decrease in the adjusted profit before income tax by excluding the non-deductible expenses for the Listing.

The Group's effective tax rate increased from approximately 17.7% for the Previous Year to approximately 58.3% for the year ended 31 March 2018, which was due to the non-deductible expenses for the Listing. By excluding the non-deductible listing expenses, the effective tax rates were approximately 16.9% and 16.8% for the year ended 31 March 2018 and Previous Year respectively.

### Net Profit and Net Profit Margin

The Group's net profit decreased by approximately HK$26.0 million, from approximately HK$28.3 million for the Previous Year to approximately HK$2.3 million for the year ended 31 March 2018, representing a decline of approximately 91.8%. The decrease in net profit was mainly due to the (i) increase in the non-recurring expenses for the Listing; (ii) decrease in gross profit derived from the completion of certain sales of building materials projects during the year ended 31 March 2018; and (iii) increase in staff costs and professional fees in relation to the business expansion and compliance with the Listing Rules.

By excluding the non-recurring expenses for the Listing, the Group's net profit for the year ended 31 March 2018 was approximately HK$16.0 million, representing a decrease of approximately 47.0% as compared to the Previous Year.

The Group's net profit margin were approximately 0.8% and 14.0% for the year ended 31 March 2018 and the Previous Year respectively, and such decrease was mainly due to the reasons illustrated above.

## LIQUIDITY AND FINANCIAL RESOURCES REVIEW

Prior to the Listing, the Group had normally funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings and net cash generated from operating activities.

The capital of the Group only comprises ordinary shares. The total equity of the Group as at 31 March 2018 was approximately HK$168.6 million (2017: approximately HK$54.3 million).

As at 31 March 2018, the Group had cash and cash equivalents of approximately HK$63.7 million (2017: approximately HK$7.3 million) and had borrowings of approximately HK$26.8 million (2017: approximately HK$40.9 million).

Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans) divided by the total equity as at the end of the reporting period. The decrease in gearing ratio from approximately 75.3% as at 31 March 2017 to approximately 15.9% as at 31 March 2018 was mainly due to the (i) decrease in bank borrowings; and (ii) increase in equity due to the Listing and profit generated for the year ended 31 March 2018.

As at 31 March 2018, approximately HK$26.8 million (2017: approximately HK$36.8 million) of the Group's borrowings were at floating interest rates and no borrowings (2017: approximately HK$4.1 million) were at fixed interest rate.

As at 31 March 2018, the Group's total current assets and current liabilities were approximately HK$203.1 million (2017: approximately HK$137.5 million) and approximately HK$66.2 million (2017: approximately HK$90.4 million) respectively. Current ratio is calculated based on the total current assets divided by the total current liabilities. The Group's current ratio increased to approximately 3.1 times as at 31 March 2018 (2017: approximately 1.5 times). Such increase was mainly due to the increase in cash and cash equivalents as a result of the Listing.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations, borrowings and the net proceeds received by the Company through the Listing.

## PLEDGE OF ASSETS

As at 31 March 2018, the Group's banking facilities were secured by properties with net carrying amount of approximately HK$23.1 million (2017: approximately HK$1.2 million) and pledged bank deposits of approximately HK$8.1 million (2017: approximately HK$18.0 million). During the year ended 31 March 2018, a property of a related company was released from pledge of banking facility. As at 31 March 2018, no properties of any related companies were pledged for the Group's banking facilities.

## CAPITAL EXPENDITURE

The total capital expenditure incurred for the year ended 31 March 2018 was approximately HK$25.4 million (2017: approximately HK$0.6 million) which was mainly used in the purchase of a property as disclosed in the paragraph headed "Summary — Recent Development" in the Prospectus.

## CONTINGENT LIABILITIES

The Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2018, the Group's contingent liabilities in relation to performance bonds were approximately HK$5.2 million (2017: approximately HK$3.9 million).

## CAPITAL COMMITMENTS

Other than operating lease commitments, the Group has no capital commitment as at 31 March 2018 (2017: Nil).

## PRINCIPAL RISKS AND UNCERTAINTIES

### Fluctuating cash flows pattern

The Group may incur net cash outflows at the early stage of carrying out works when it is required to pay material costs and/or subcontractors prior to receiving payment from customers. Customers will pay progress payments after works commenced and after such works have been certified by customers. Accordingly, the Group may experience net cash outflows to pay certain material costs and/or subcontractors' fees while the respective progress payments may not be received in the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while the Group has significantly less cash inflows during that period, the Group's cash flow position may be adversely affected.

### Inaccurate estimation on the cost and work programme of projects

As contracts from customers are normally awarded through successful tendering and acceptance of quotation offer, the Group needs to estimate the time and costs based on the tender documents or quotation requests provided from customers in order to determine the tender price or quotation. There is no assurance that the actual execution time and costs of the project would not exceed the Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by the Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by customers, delays in obtaining any required permits or approvals, disputes with subcontractors or other parties, accidents, changes in Hong Kong government policies and customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overruns or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

### Irregular profit margin

The Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general market conditions which are beyond the Group's control. As a result, the income flow and the profit margin of each project, which are largely dependent on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, the Group's financial position could be adversely affected.

### Failure to obtain new projects

The Group provides materials and/or relevant installation services to customers generally on a project-by-project basis. The Group's revenue from projects is non-recurring in nature. It cannot be guaranteed that the Group will continue to secure new projects from customers after the completion of the existing awarded projects.

### Currency risk

Certain transactions of the Group are denominated in currencies which are different from the functional currency of the Group, namely, Hong Kong dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its cost of sales and services are generally denominated in Hong Kong dollars, USD and EUR. Payments received by the Group from its customers are mainly denominated in Hong Kong dollars. The Group continues to monitor closely its exposure to currency movement and may take proactive measures where necessary.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 29 employees (including executive Directors), as compared to a total of 25 employees in the Previous Year. The total staff costs incurred by the Group for the year ended 31 March 2018 were approximately HK$14.3 million (2017: approximately HK$10.4 million). The increase in staff costs was mainly due to (i) the new staff employed during the year ended 31 March 2018; and (ii) full year impact of the increase in staff from the Previous Year.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. Other staff benefits include the provision of retirement benefits and sponsorship of training courses.

The emoluments of Directors and senior management were reviewed by the Remuneration Committee of the Company, having regard to the salaries paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from the reorganisation in relation to the Listing as disclosed in the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2018. Save for the business plan as disclosed under the section headed "Future plans and use of proceeds" in the Prospectus, there was no other plans for material investments or capital assets as at 31 March 2018.

## USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing will be utilised in accordance with the proposed applications set out under the section headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and actual usage up to 31 March 2018:

| | **Proposed Application** HK$ million | **Actual usage up to 31 March 2018** HK$ million |
|---|---|---|
| — Acquiring a property as a warehouse, workshop and showroom | 29.9 | – |
| — Repayment of bank borrowings | 27.8 | 27.8 |
| — Expanding capacity to undertake more projects | 14.0 | – |
| — Expanding and strengthening the manpower | 7.4 | – |
| — Refurbishment of the offices | 5.1 | 2.5 |
| — Upgrading the information technology and project management systems | 2.8 | – |
| — General working capital | 9.4 | 9.4 |
| | 96.4 | 39.7 |

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities since the Listing Date.

## EXECUTIVE DIRECTORS

**Mr. Lo Wing Cheung ("Mr. Lo")**, aged 60, a controlling shareholder of the Company, has been the Chairman of the Board, an executive Director and Chief Executive Officer since June 2017. He is also the chairman of the Nomination Committee of the Company. He is the spouse of Ms. Fung Pik Mei and the father of Ms. Lo Pui Ying Janice.

Mr. Lo has over 35 years of experience in the construction industry in Hong Kong. He was the founder of the Group. He is primarily responsible for the Group's overall management, strategic planning and business development activities. Under the management of Mr. Lo, the Group gradually expanded its business and became engaged as the main supplier of building materials to many significant residential and commercial developments in Hong Kong over the past three decades.

**Ms. Fung Pik Mei ("Ms. Fung")**, aged 56, a controlling shareholder of the Company. She has been the executive Director since June 2017. Ms. Fung joined the Group as a director of Kwan Tai Engineering Co., Limited (one of the Group's subsidiaries) in 1997 and was responsible for overseeing the day-to-day business operations of the Group, in particular the supervision of the project management team. Having been involved in the management of the Group for over 20 years, she has gathered extensive expertise within the industry, businesses of the Group and project management for all of the Group's operations.

Ms. Fung attended her secondary education in Hong Kong until 1979. She is the spouse of Mr. Lo and the mother of Ms. Lo Pui Ying Janice.

## NON-EXECUTIVE DIRECTOR

**Mr. Wan Ho Yin ("Mr. Wan")**, aged 40, was appointed as a non-executive Director since June 2017 and is mainly responsible for advising the internal audit function of the Group and performing independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. He is also a member of the Audit Committee of the Board.

Mr. Wan graduated with a Bachelor degree of Business Administration in Accounting from the Hong Kong Baptist University in 1999. He is a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and a member of the Association of Chartered Certified Accountants since 2003. He has over 16 years of experience in audit and financial management. Since September 2014, he has been in the role of the chief financial officer and company secretary of Man King Holdings Limited (Stock code: 2193), a company listed on the Main Board of the Stock Exchange.

## INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

**Mr. Shu Wa Tung Laurence ("Mr. Shu")**, aged 45, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Remuneration Committee and Nomination Committee and the chairman of the Audit Committee of the Board.

Mr. Shu graduated from Deakin University, Australia in 1994 with a Bachelor degree in Business majoring in Accounting. He is a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and a member of the CPA Australia since 1997. He has completed a CFO Programme at China Europe International Business School in 2009. Mr. Shu has over 20 years of experience in audit, corporate finance, and financial management. Since July 2010, Mr. Shu served as the chief financial officer of Petro-king Oilfield Services Limited (Stock code: 2178), a company listed on the Main Board of the Stock Exchange.

Mr. Shu is an independent non-executive director of Riverine China Holdings Limited (Stock Code: 1417) since November 2017.

**Mr. Tam Wai Tak Victor ("Mr. Victor Tam")**, aged 40, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

Mr. Victor Tam graduated from the University of Glamorgan (now known as the University of South Wales) with a degree of Bachelor of Arts in accounting & finance (first class honours) in 2001. He is a fellow member of the Association of Chartered Certified Accountants since 2010 and a member of the Hong Kong Institute of Certified Public Accountants since 2005. He has more than 14 years of experience in the field of auditing, accounting and financial management. Since January 2013, Mr. Victor Tam served as the financial controller and company secretary of Differ Group Holding Company Limited (Stock code: 6878), a company listed on the Main Board of the Stock Exchange.

Mr. Victor Tam is serving as an independent non-executive director of Shun Wo Group Holdings Limited (Stock Code: 1591) since September 2016, an independent non-executive director of GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) since August 2017.

**Mr. Tam Wing Lok ("Mr. WL Tam")**, aged 42, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of the Board.

Mr. WL Tam graduated with a Bachelor of Science in Surveying from the University of Hong Kong in 1998. He became a chartered quantity surveyor in Hong Kong in 2002. Mr. WL Tam subsequently obtained a Bachelor of Laws degree in 2003 from the Manchester Metropolitan University (in collaboration with the University of Hong Kong's School of Professional and Continuing Education) by long distance learning. In 2005, he obtained a Postgraduate Certificate in Laws from the City University of Hong Kong. In 2009, Mr. WL Tam further obtained a Master of Laws in Arbitration and Dispute Resolution from the University of Hong Kong. He became qualified as a solicitor in the courts of Hong Kong in 2013.

Since August 2013, Mr. WL Tam has been working as a solicitor at Wong and Lawyers (formerly known as Chan & Associates), where he provides construction related legal services to his clients.

## SENIOR MANAGEMENT

**Mr. Ho Shing Chak Stephen ("Mr. Ho")**, aged 63, is the technical advisor of the Group. He joined the Group in April 2017 and is mainly responsible for providing technical advice including material and components sourcing, project management and installation advice to projects contemplated and undertaken by the Group.

Mr. Ho obtained a Bachelor of Arts in Architectural Studies in 1977 and a Bachelor of Architecture in 1980 both from the University of Hong Kong. Mr. Ho has been a Registered Architect in Hong Kong since 1983 and is registered as an authorised person and a registered inspector under the Buildings Ordinance (Cap. 123 of the laws of Hong Kong). He has been a member and a fellow of the Hong Kong Institute of Architects since 1983 and 1999 respectively. Mr. Ho is also licensed as a class 1 registered architect in the PRC since 2005. Mr. Ho has more than 30 years of experience in architectural practice and project management.

**Ms. San Ying Ton Nicole ("Ms. San")**, aged 39, is the marketing manager of the Group. She joined the Group in January 2016 and is mainly responsible for the management of sales and marketing operations of the Group. Ms. San has over 10 years of experience in the sales and marketing of building materials.

**Ms. Lo Pui Ying Janice ("Ms. Lo")**, aged 28, is the chief operating officer of the Group. She joined the Group in September 2016 as an administration manager and was promoted to her current position in December 2017 and is mainly responsible for overseeing the internal control policy in relation to the operational and administrative process of the Group.

Ms. Lo obtained a Bachelor of Science in Management and a Master of Science in Marketing & Strategy both from the University of Warwick in the United Kingdom in 2012 and 2013 respectively.

Ms. Lo is the daughter of Mr. Lo and Ms. Fung, the executive Directors.

**Mr. Chau Ka Ho ("Mr. Chau")**, aged 35, is the financial controller of the Group and company secretary of the Company. He joined the Group in April 2017 and is mainly responsible for overseeing the financial reporting and financial planning of the Group.

Mr. Chau obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in 2005 and a Master of Science in Risk Management Science from the Chinese University of Hong Kong in 2016. He is a member of Hong Kong Institute of Certified Public Accountants since 2009 and obtained the designation of Chartered Financial Analyst since 2012. He has over 12 years of experience in the field of auditing and accounting.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2018.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from provision A.2.1 of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules as disclosed below, the Company has adopted the CG Code as the Group's corporate governance practices. In the opinion of the Directors, the Company has complied with the applicable code provisions under the CG Code since the Listing Date and up to 31 March 2018 except the following:

Pursuant to Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Lo Wing Cheung. Mr. Lo is currently the chairman of the Board and the CEO, responsible for strategic planning and managing of the Group's overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group's development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors ("**INEDs**"). Further, the Audit Committee (the "**Audit Committee**"), which consists of three INEDs and one non-executive Director, has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Nomination Committee, and the Remuneration Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

## Board Composition

Since the Listing Date and up to the date of this annual report, the composition of the Board is as follows:

**Executive Directors:**
Mr. Lo Wing Cheung *(Chairman)*
Ms. Fung Pik Mei

**Non-Executive Director:**
Mr. Wan Ho Yin

**INEDs:**
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

To the best knowledge of the Directors, save and except Ms. Fung is the spouse of Mr. Lo, there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Since the Listing Date and up to 31 March 2018, the Company has been in compliance with the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of INEDs representing at least one-third of the Board.

As each of the INEDs has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. INEDs are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each Director was provided with the necessary training and information to ensure that he/she has proper understanding of the responsibilities under the Listing Rules and the applicable law, rules and regulations. The Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company will continue to arrange suitable training and regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

During the year ended 31 March 2018, all Directors pursued continuous professional development and relevant details are set out below:

| Name of Director | Types of Training |
|---|---|
| **Executive Directors:** | |
| Mr. Lo | A & B |
| Ms. Fung | A & B |
| **Non-Executive Director:** | |
| Mr. Wan | A & B |
| **INEDs:** | |
| Mr. Shu | A & B |
| Mr. Victor Tam | A & B |
| Mr. WL Tam | A & B |

Remarks:

A — Attending seminars/conferences/forums/internal briefing sessions
B — Reading journals/updates/articles/materials

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from their respective date of appointment subject to termination as provided in the service contract.

Each of the non-executive Director and INEDs has signed an appointment letter with the Company for a term of three years commencing from their respective date of appointment.

The appointments of executive Directors, non-executive Director and INEDs are subject to the provisions of retirement and rotation of Directors under the articles of association of the Company (the "**Articles**") and the applicable Listing Rules. The procedures and process of appointment, re-election and removal of Directors are set out in the Articles.

In accordance with article 16.18 of the Articles, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

## BOARD MEETINGS, GENERAL MEETINGS AND ATTENDANCE OF DIRECTORS

The Company intends to hold Board meetings regularly, at least four times a year, and at approximately quarterly intervals.

Any Director who is not able to be present physically may participate at any Board meeting through electronic means of communication, such as telephone conference or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings. The company secretary of the Company assists the Chairman of the Board to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director not less than 3 days before the date of a Board meeting to enable the Directors to make informed decisions on the matters to be discussed, except when a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

Minutes of Board meetings are recorded in sufficient details regarding the matters considered by the Board at the meeting and decisions reached. Draft minutes of board meetings are circulated to the Directors for review and the signed minutes are kept by the Company Secretary and open for inspection to any Director on request.

Each Director is expected to give sufficient time and attention to the affairs of the Company. The individual attendance records of each Director at the general meetings of the Board and the Board Committees from the Listing Date to 31 March 2018 are set out below:

### Directors

| | No. of Meetings attended/ No. of Meetings held during the Director's tenure of office | | | | | |
|---|---|---|---|---|---|---|
| | Board | Remuneration Committee | Audit Committee | Nomination Committee | Chairman and INEDs | Annual General Meeting |
| **Executive Directors** | | | | | | |
| Mr. Lo | 1/1 | 1/1 | N/A | N/A | N/A | N/A |
| Ms. Fung | 1/1 | N/A | N/A | N/A | N/A | N/A |
| **Non-executive Director** | | | | | | |
| Mr. Wan | 1/1 | N/A | N/A | N/A | N/A | N/A |
| **INEDs** | | | | | | |
| Mr. Shu | 1/1 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Victor Tam | 1/1 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. WL Tam | 1/1 | 1/1 | N/A | N/A | N/A | N/A |

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and independent non-executive Directors, who have confirmed that they have complied with the Model Code from the Listing Date up to 31 March 2018.

## BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs.

### Audit Committee

The Company's Audit Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

As at 31 March 2018, the Audit Committee comprised of the three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one non-executive Director, namely Mr. Wan. Mr. Shu is currently the chairman of the Audit Committee. Mr. Shu possesses the appropriate accounting qualifications and experiences in financial matters. The Company has complied with rule 3.21 of the Listing Rules in that the Audit Committee must comprise a minimum of three members and must be chaired by an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise as required in rule 3.10(2) of the Listing Rules.

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee risk management and internal control systems and internal and external audit functions.

The Company was listed on the Main Board on 17 January 2018. Since the Listing Date and up to the end of the reporting period, no Audit Committee meeting was held. The Audit Committee will make arrangement for holding at least two meetings and meeting external auditors twice to discuss the audit plan and to review the Company's annual report and accounts during each financial year.

It is confirmed that there is no disagreement between the Board and the Audit Committee's view on the re-appointment of external auditors, and they both have agreed to recommend the re-appointment of SHINEWING (HK) CPA Limited as the Company's external auditor for the ensuing year at the 2018 annual general meeting of the Company.

### Remuneration Committee

The Company's Remuneration Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange, and consists of a majority of INEDs. The purpose of the Remuneration Committee is to set policy on the remuneration of executive Directors' and senior management and for fixing remuneration packages for all Directors and senior management.

The main responsibility of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structuring for Directors and senior management and their remuneration package with reference to the Group's corporate goals and strategies. As at 31 March 2018, the Remuneration Committee is made up of the three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. WL Tam is the chairman of the Remuneration Committee.

The Remuneration Committee meets at least once a year to review the remuneration of each Director and make recommendations to the Board. The Remuneration Committee held one meeting during the year ended 31 March 2018.

Executive Directors and senior management of the Company are entitled to discretionary performance related bonus payments which are determined with reference to the Group's operating results and their respective individual performance. Particulars of the remuneration payable to each Director for the year ended 31 March 2018 are set out in note 12 to the financial statements of this annual report.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the senior management (excluding the Directors) by band for the year ended 31 March 2018 is set out below:

| **Within the band of** | **Number of individuals** |
|---|---|
| Nil to HK$1,000,000 | 4 |

### Nomination Committee

The Company's Nomination Committee consists of a majority of INEDs. It was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

As at 31 March 2018, the Nomination Committee is made up of the three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. Lo is the chairman of the Nomination Committee.

One of the major duties of the Nomination Committee includes reviewing the structure, size and diversity of the Board at least annually. It is believed that a truly diverse board will include and make good use of the differences in the skills, background, experience, knowledge, expertise and other qualities of members of the board. The other duties of the Nomination Committee include making recommendations on any proposed changes to the Board, identifying individuals suitable and qualified to become Directors and making recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee meets at least once a year. During the year ended 31 March 2018, no meeting was held by the Nomination Committee yet.

## DIRECTORS' AND AUDITORS RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The reporting responsibilities of the Company's external auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 37 to 41 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITOR'S REMUNERATION

The remuneration for the audit services and non-audit services provided by the Auditor to the Group during the year ended 31 March 2018 amounted to approximately HK$3.7 million and HK$0.7 million respectively. The audit services consist of annual audit service of approximately HK$0.7 million and audit service provided in connection with the initial public offering of the Company of approximately HK$3.0 million. The non-audit services consist of taxation, internal control advice and agreed-upon procedures.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing the effectiveness of such systems through the Audit Committee on an annual basis. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve the Group's business objectives.

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Company has an internal audit function which is primarily responsible for developing various internal control manuals and procedures, conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

During the year ended 31 March 2018, the Company has, in connection with the listing process, engaged an independent internal control consultant to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committees are kept informed of significant risks that may impact on the Group's performance. For the year ended 31 March 2018, the Board considered the risk management and internal control systems of the Group to be effective and adequate. The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

### Procedures and controls over handing and dissemination of inside information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules. An Inside Information Policy has been established to lay down guidelines on definition of inside information, compliance and reporting mechanism of inside information. All members of the Board, senior management, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information are required to keep such unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

## COMPANY SECRETARY

The role of the company secretary of the Company is performed by Mr. Chau. The company secretary is responsible for facilitating the Board's communications among Board members, the Shareholders and the management of the Company and ensuring the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Chau has confirmed that he took not less than 15 hours of relevant professional training during the year ended 31 March 2018 in compliance with rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

To promote effective communication, the Company adopts a shareholders communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.kwantaieng.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

## SHAREHOLDERS' RIGHTS

The Group is mindful of Shareholders' interest to ensure that they are treated fairly and are able to exercise their Shareholders' rights effectively. Shareholders' rights are entitled by the Articles and Shareholders are also encouraged to participate in the Company's general meetings.

### Convening of extraordinary general meeting

In accordance with the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting (the "**EGM**") to be called by the Directors for the transaction of any business specified in such requisition. Such requisition shall be made in writing to the Board or the company secretary of the Company which is situated at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Procedures for putting forward proposals by Shareholders at Shareholders' meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of the proposal ("**Proposal**") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's Hong Kong branch share registrar at their respective address.

The request will be verified with the Company's Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

### Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

## CHANGE IN CONSTITUTIONAL DOCUMENT

The amended and restated memorandum of association of the Company and the Articles were adopted on 19 December 2017 and became effective on 17 January 2018, being the Listing Date, and are available on the website of the Stock Exchange and the website of the Company.

# REPORT OF THE DIRECTORS

The Board presents to the Shareholders this report together with the audited financial statements of the Company and the Group for the year ended 31 March 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 37 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 March 2018.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 8 February 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In preparation of the Listing, the companies comprising the Group underwent the Reorganisation pursuant to which the Company became the holding company of the Group on 14 March 2017. For details of the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 17 January 2018.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 March 2018 amounted to approximately HK$1.0 million (2017: Nil).

## DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company had reserves which amounted to approximately HK$148.3 million available for distribution as calculated based on the Company's share premium, other reserves and accumulated losses under applicable provisions of the Companies Law in the Cayman Islands.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2018 is set out in note 16 to the consolidated financial statements.

A valuation report for two properties (the "**Two Properties**") held by the Group was included in the Prospectus. The total market value of the Two Properties attributable to the Group as at 31 October 2017 was approximately HK$32.7 million (the "**Valuation**"). An additional depreciation, approximately HK$0.1 million, would be charged against the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 had the Two Properties been stated at the Valuation.

## SHARE CAPITAL

Details of movements during the year ended 31 March 2018 in the share capital of the Company are set out in note 30 to the consolidated financial statements.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities since the Listing Date.

## GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 100. This summary does not form part of the audited financial statements.

## BUSINESS REVIEW

The review of the business of the Group during the year ended 31 March 2018 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties faced by the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

### Employees

The Group is committed to establish a close and caring relationship with its employees. The Group provides a fair and safe workplace, promotes diversity to our staff and provides competitive remuneration, benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to employees so that they can keep abreast of the latest development of the market and the industry, and improve their performance and self-fulfillment in their respective positions.

### Customers and suppliers

The major customers of the Group include some of the major main contractors in Hong Kong. Many of the Group's five largest customers and suppliers have established long term business relationship with the Group. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers, suppliers and subcontractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

During the year ended 31 March 2018, the Group's five largest customers in aggregate accounted for approximately 53.5% (2017: approximately 54.4%) of the Group's total revenue. The largest customer accounted for approximately 15.4% (2017: approximately 17.2%) of the Group's total revenue.

During the year ended 31 March 2018, the Group's five largest suppliers in aggregate accounted for approximately 53.4% (2017: approximately 59.5%) of the Group's total cost of sales and services. The largest supplier accounted for approximately 20.4% (2017: approximately 34.0%) of the Group's total cost of sales and services.

During the year ended 31 March 2018, the Group's five largest subcontractors in aggregate accounted for approximately 30.8% (2017: approximately 29.6%) of the Group's total cost of sales and services. The largest subcontractors accounted for approximately 17.8% (2017: approximately 15.1%) of the Group's total cost of sales and services.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital had an interest in these major customers, suppliers and subcontractors.

## ENVIRONMENTAL POLICIES

The environmental policies of the Group are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Directors confirmed that during the year ended 31 March 2018 and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in the jurisdictions which the Group operates.

## DIRECTORS

The Directors of the Company during the year ended 31 March 2018 and up to the date of this report were:

**Executive Directors**
Mr. Lo Wing Cheung *(Chairman)* (Appointed on 8 February 2017 and redesignated as executive Director on 22 June 2017)
Ms. Fung Pik Mei (Appointed on 8 February 2017 and redesignated as executive Director on 22 June 2017)

**Non-executive Director**
Mr. Wan Ho Yin (Appointed on 22 June 2017)

**INEDs**
Mr. Shu Wa Tung Laurence (Appointed on 19 December 2017)
Mr. Tam Wai Tak Victor (Appointed on 19 December 2017)
Mr. Tam Wing Lok (Appointed on 19 December 2017)

Information regarding Directors' emoluments are set out in note 12 to the consolidated financial statements.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

In accordance with article 16.2 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Lo Wing Cheung, Ms. Fung Pik Mei, Mr. Wan Ho Yin, Mr. Shu Wa Tung Laurence, Mr. Tam Wai Tak Victor and Mr. Tam Wing Lok will retire from office as Directors at the forthcoming annual general meeting of the Company. All Directors being eligible and will offer themselves for re-election.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company which is initially for a fixed term of 3 years, commencing from the Listing Date or from the date of appointment, and shall continue thereafter until terminated by not less than 3 months' written notice to the other party.

Each of the non-executive Director and INEDs has entered into a letter of appointment with the Company which is initially for a fixed term of 3 years, commencing from the Listing Date. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the executive Directors, non-executive Director and INEDs is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2018.

## CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 March 2018.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. The Company has also arranged appropriate liability insurance in respect of legal action against the Directors. The relevant provisions in the Articles and the aforesaid liability insurance was in force since the Listing Date and as of the date of this report.

## EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 March 2018.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "**Shares**"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in Shares

| Name of Director | Capacity/Nature of interest | Number of Shares held | Percentage of shareholding |
|---|---|---|---|
| Mr. Lo Wing Cheung ("**Mr. Lo**") | Interest in a controlled corporation *(Note)* | 588,000,000 | 73.5% |
| Ms. Fung Pik Mei ("**Ms. Fung**") | Interest in a controlled corporation *(Note)* | 588,000,000 | 73.5% |

Note: *These 588,000,000 Shares are held by Helios Enterprise Holding Limited ("**Helios**"), a company incorporated in the BVI and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.*

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

| Name of Shareholder | Capacity/Nature of interest | Number of Shares held (L) | Percentage of shareholding |
|---|---|---|---|
| Helios | Beneficial owner | 588,000,000 | 73.5% |

*Note: The letter "L" denotes long position in the Company's Shares.*

Save as disclosed above, as at 31 March 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

## SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was adopted pursuant to a resolution passed on 19 December 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

### 1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward its employees, Directors and other selected participants for their contributions to the Group.

### 2. Participants of the Share Option Scheme and the Basis of Determining the Eligibility of the participants

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option, to any Director(s) (including executive Directors, non-executive Director and INEDs) and employee(s) of any member of the Group and any advisers, suppliers, customers, business partners of any member of the Group who the Board considers, in its absolute discretion and on such terms as it deems fit, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

### 3. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

### 4. Payment on acceptance of option offer

An offer shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme (the "**Grantee**") to the Company on acceptance of the offer of the option.

### 5. Subscription price

The subscription price shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than 5 business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

(c) the nominal value of a Share on the date of grant.

### 6. Option period

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

7. Maximum number of Shares subject to options

(a) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time;

(b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 80,000,000 Shares, representing 10% of the aggregate of the Shares in issue on the Listing Date (the "**General Scheme Limit**");

(c) The Company may refresh the General Scheme Limit at any time subject to prior Shareholders' approval. However, the General Scheme Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;

(d) The Company may also seek separate Shareholders' approval for granting options beyond the General Scheme Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought;

(e) The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the "**Individual Limit**"). Any further grant of options to a participant which would result in the Shares issued, and to be issued, upon exercise of all options granted, and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance, with such participant and his close associates (or his associates if such participant is a connected person) abstaining from voting.

## CONNECTED TRANSACTIONS

The Group had not entered into any transactions which constituted connected transactions (including continuing connected transactions) which is subject to annual review and disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 March 2018.

## RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year ended 31 March 2018 are set out in note 34 to the consolidated financial statements. The related party transactions of the Group do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

## MANAGEMENT CONTRACTS

Save for contract of service with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year ended 31 March 2018.

## COMPETING BUSINESS

During the year ended 31 March 2018, none of the Directors or the controlling shareholders of the Company and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under rule 8.10 of the Listing Rules.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Board on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details are set out under the paragraph headed "Share Option Scheme" in this annual report.

## RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 35 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of the Company or the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## SUFFICIENT OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float throughout the period from the Listing Date to 31 March 2018 as required under the Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

Save for disclosed elsewhere in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2018 and up to the date of this annual report.

## AUDITOR

The consolidated financial statements have been audited by SHINEWING (HK) CPA Limited, who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Lo Wing Cheung**
**Twintek Investment Holdings Limited**
*Chairman*

Hong Kong, 22 June 2018

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

The long-term success of Twintek Investment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is built upon commitment with responsibility towards stakeholders. The Directors also believe that it is essential for the Group to be environmentally responsible and to meet customers' demands in environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. Therefore, the Directors have prepared the first Environmental, Social and Governance Report ("**ESG Report**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") sets out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited describing the initiatives and performance of the Group with regard to the issues identified for the year ended 31 March 2018.

Reporting Period:

The information published in this ESG Report covers the period from 1 April 2017 to 31 March 2018, unless otherwise stated, which is the same as the financial year covered in the Group's annual report for the year ended 31 March 2018.

## (A) ENVIRONMENTAL

### A.1. Emissions

The Group is committed to taking active steps in tackling climate change by minimising Greenhouse Gas (GHG) emissions.

The GHG emission of the Group comprises of direct and indirect emissions caused by the Group's business operation. The scope 1 direct GHG emission generated from the consumption of gasoline in the use of motor vehicles owned by the Group were 6 tonnes carbon dioxide equivalent. For Scope 2 indirect GMG emission caused by the Group's in-house generation of purchased electricity, it amounted to 66 tonnes carbon dioxide equivalent with consumption intensity of 0.06 tonne carbon dioxide equivalent/$m^2$. For scope 3 the other indirect emissions generated from the transport related activities in vehicle not owned by the Group, the shipment of the Group's purchases of gypsum block products from Germany generated 6,347 tonnes carbon dioxide equivalent in the review period.

To the best of the Group's knowledge, no material amount of hazardous waste were generated during the review period. The waste arising out of the Group's offices comprises general waste. The Group has set up recycling and storage facilities for general waste (such as recycling points for used paper and for the toner cartridges and ink cartridges of printers).

The Group is committed to monitoring and managing its environmental footprint. During the year ended 31 March 2018, the Group was not aware of any non-compliance nor significant violation of environmental laws and regulations regarding emission and discharge from relevant Government authorities.

### A.2. Use of Resources

The Group promotes reduction of energy consumption, recycling waste and efficient utilization of resources in its daily office operation.

The Group has participated in the Energy Saving Charter Scheme organised by the Electrical and Mechanical Services Department and committed to maintain an average indoor temperature between 24-26°C during the summer months of June to September in 2017. The Group is also committed to switch off electrical appliances and systems when not in use and procure energy efficient electrical appliances and systems. The Group also encourage employees to adopt the above energy saving practices together.

The following represents the Group's direct energy and water consumption for the review period:

- Water and electricity are consumed at the Group's office and warehouse which have a total area of 1,105 $m^2$ as at 31 March 2018.
- Electricity consumed by the Group was 84,170 kWh with consumption intensity of 76.2 $kWh/m^2$.
- Water consumed by the Group was 98 CuM with consumption intensity of 0.09 $CuM/m^2$.
- Gasoline consumed by the Group was 2,285 litres.

### A.3. The Environment and Natural Resources

The Group is devoted to being environmentally friendly and the Group is one of the responsible enterprises in the building and construction industry. To promote responsible management of the world's forests, the Group has obtained the certification issued by the Forest Stewardship Council (the "**FSC**") by encouraging the Group's customers to select FSC certified wood flooring products, wood doors and furniture. In addition, the Group's gypsum block product was certified as Green Building product with platinum rating under the Hong Kong Green Building Council Green Product Accreditation and Standards (HK G-PASS).

The Group is committed to continue focusing on enhancing its existing products with eco-friendly elements to demonstrate its determination on environmental protection and to respond to the community's increasing concern on this topic.

Additionally, the Group will perform regular review to ensure emission and energy objectives are met and continue to encourage staff participation on environmental protection concept via workshops.

## (B) SOCIAL

### B.1. Employment & B.4. Labour Practices

The Group adopts non-discriminatory employment policy and offers equal opportunity to all employees, irrespective of their race, religion, sex, sexual orientation and age. Their advancement and career development are solely based on their performance, experience and skills. The Group is also fully compliant with all relevant labour and employment legislation and laws in Hong Kong and does not engage in any forced/child labour in the Group's business operation.

The Directors confirm that the Group has no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong.

The Group offers attractive remuneration package to its employees, including basic salary, bonus, medical insurance and other subsidies such as training and education. In addition to statutory holidays, the Group offers employees additional holiday/leave such as marriage leave, examination leave and compassionate leave. Compensation for occasional overtime work, by means of alternative leave or allowance, will also be granted.

To retain and motivate employees, the Group offers career development opportunities to all of them. Specifically, the Group conducts annual appraisal for all employees as an indicator of their review of work performance.

The Group strives to maintain high standard of business ethics and employee's good personal conduct. The Group's employee handbook and internal control manual are readily accessible to all employees.

### B.2. Health & Safety

The Group recognises the importance of promoting a healthy and safe working environment to the Group's employees and employees of the Group's subcontractors. The Group has established various occupational health and safety measures in place and regularly perform checks on the working environment and staff facilities.

At the Group's office, indoor air purification system has been installed to maintain the optimal level of indoor air quality for the Group's employee.

To prevent accidents leading to work-related injuries at construction site, safety measures and practices are implemented to control and eliminate risks of all kinds which includes the provision of personal protective equipment and the establishment of safety working procedures. Personal protective equipment are also distributed to the Group's employees as well as employees of the Group's subcontractor. The Group's project coordinators are responsible for ensuring proper use and maintenance of the equipment.

During the year ended 31 March 2018, the Group has not encountered any fatal accident or reportable accident on construction sites. Despite the above, for the benefit of the Group's employees and that of the Group's subcontractors, the Group has further strengthen its safety management system by establishing the Occupational Health and Safety Assessment Series (the "**OHSAS**") 18001 (or equivalent) safety management system in future as the Group's key performance indicator in health & safety section.

### B.3. Development & Training

The Group treasures human resources and is committed to provide trainings and development programmes to enhance employee's knowledge and skills, which ultimately creates value to the Group's business operations and support future growth.

To enhance employee's work performance, the Group provides both internal and external training courses ranging from professional and technical training to personal development skills. The Group also encourages relevant personnel to keep abreast of latest developments and best practices in the industry via training and workshops.

### B.4. Labour Standard (included in B.1.)

### B.5. Supply Chain Management

Supply chain management is essential to the quality control system of the Group.

The Group has established various procedures to ensure that capable and competent suppliers and subcontractors are maintained in the Group's Supplier/Subcontractor Register to ensure effective and efficient project operation. The procurement team maintains a master list of all suppliers and subcontractors and the Group's selection is based on their previous experience, skills, present work load, price quotation and work quality. The procurement team evaluates the suppliers' and subcontractors' performance on a yearly basis by conducting annual performance appraisal together with the project team of the Group.

Suppliers and subcontractors with unsatisfactory performance will be banned or suspended from tendering the Group's new projects. The assessment relates to the existence and performance of suppliers' and subcontractors' environmental, health and safety system which is also included in the annual performance appraisal.

During the year ended 31 March 2018, the Group had no material shortage of building materials and did not experience any delay in supply of materials purchased from suppliers. The Group had disqualified one subcontractor due to its failure of committing to the Group's quality requirement.

### B.6. Product Responsibility

The Group has established a comprehensive management system and was awarded ISO9001:2015 certification for the supply and installation of the Group's products of timber flooring, gypsum blocks and timber door since 2017. In addition, the Group was awarded the Forest Stewardship Council's (FSC) Chain of Custody certification, a proof of the Group's value on product quality and sustainability of forest operations. The Group undergoes regular audit from the certification body each year to ensure that the Group's management measures comply with relevant audit requirements and standards.

The Group ensures that the timber flooring products conform to all applicable legislation to avoid the illegal trade of forest products. The Group has established procedures in place to ensure the suppliers' compliance with relevant quality and service requirements as well as laws and regulations on environmental and social matters.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility during the year ended 31 March 2018.

### B.7. Anti-corruption

All employees of the Group are required to strictly observe the code on personal and professional conducts and the guidelines on anti-bribery and anti-corruption conducts as provided in the manual of code of conduct (the "**Code of Conduct**") of the Group as follows:

1. Prevention of Bribery Ordinance — soliciting or accepting any advantage in connection with the employee's work for the Group without the permission of the Group is strictly prohibited and such conduct may commit an offence under Section 9(2) of the Prevention of Bribery Ordinance (Cap 201).

2. Acceptance of Advantage — soliciting or accepting any advantage when conducting business for the Group is prohibited, unless with the prior permission of the Group in writing.

3. Entertainment — employees should avoid accepting lavish or frequent entertainment from business partners associated with the Group (e.g. suppliers or subcontractors) to prevent being affect in judgement. Excessive gambling and loans should also be avoided.

4. Conflict of Interest — employees should avoid any situation which may lead to an actual or perceived conflict of interest and make a declaration to the Group when such occasion occurs.

Employees who are in breach of the Code of Conduct may be dismissed or removed. During the year ended 31 March 2018, there was no legal case relating to bribery, extortion, fraud or money laundering brought against the Group or its employees. The Group continues to carry out regular review and update policy statement if necessary so as to ensure their effectiveness to strengthen the internal controls and compliance regime of the Group.

### B.8. Community Investment

The Group is committed to fulfill the corporate social responsibility in building a better community. Apart from commercial activities, the Group actively participates in community services and was awarded the "Caring Company" launched by the Hong Kong Council of Social Service in recognition of the Group's contribution to the society.

Charitable and other donations made by the Group during the year ended 31 March 2018 amounted to approximately HK$1.0 million (2017: Nil).

信永中和 ShineWing

**SHINEWING** (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE MEMBERS OF TWINTEK INVESTMENT HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Twintek Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 42 to 99, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## ACCOUNTING FOR CONSTRUCTION CONTRACTS

Refer to note 7 to the consolidated financial statements and the accounting policies on page 56–57.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group recognised contract revenue of a construction and engineering service contract according to the management's estimation of the total outcome of the project as well as the stage of completion of contract works.<br><br>This involves the assessment of the stage of completion of contract works, which was performed by the Group's project managers, the actual outcome of the contract in terms of its total revenue may be higher or lower than the management's estimation and it will affect the revenue recognised.<br><br>Significant judgment is involved in relation to the assessment of the total outcome and the stage of completion and is therefore considered as a key audit matter. | We assessed whether the stage of completion at the end of the reporting period was reasonable through critically challenging the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs of the construction contracts.<br><br>We assessed the revenue recognised for the reporting period through checking the supporting documents, such as contracts, variation orders and payment certificates, and recalculated the revenue recognised based on the stage of completion to the total contract sum and work values from variation orders.<br><br>We assessed reliability of management's assessment in budget cost by considering the historical actual costs and estimation of budget costs of completed project. |

## IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK, TRADE RECEIVABLES AND RETENTION MONIES RECEIVABLES

Refer to notes 19 and 21 to the consolidated financial statements, accounting policies on page 61.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 March 2018, the Group had amounts due from customers for contract work and trade and retention monies receivables derived from construction contracts of approximately HK$54,500,000 and HK$55,434,000 respectively. We have identified the impairment of amounts due from customers for contract work, trade receivables and retention monies receivables as a key audit matter because the policy for making impairment requires a high level of management judgement and due to the significance of the amounts involved. | Our audit procedures were designed to obtain and review the management's assessment of the indicators for impairment of amounts due from customers for contract work, trade receivables and retention monies receivables.<br><br>We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have also challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end as well as the recent creditworthiness of each debtor and billings raised during and after the end of the reporting period. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Pang Wai Hang**
Practising Certificate Number: P05044

Hong Kong
22 June 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | **HK$'000** | HK$'000 |
| Revenue | *7* | **280,061** | 202,319 |
| Cost of sales and services | | **(223,628)** | (138,097) |
| Gross profit | | **56,433** | 64,222 |
| Other income | *8* | **828** | 1,175 |
| Selling and distribution expenses | | **(7,928)** | (8,233) |
| Administrative expenses | | **(41,335)** | (20,280) |
| Finance costs | *9* | **(2,414)** | (2,501) |
| Profit before taxation | | **5,584** | 34,383 |
| Income tax expenses | *10* | **(3,256)** | (6,090) |
| Profit and total comprehensive income for the year attributable to the owners of the Company | *11* | **2,328** | 28,293 |
| Earnings per share: | | | |
| Basic and diluted (HK cents) | *15* | **0.36** | 4.71 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Notes | As at 31 March 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | *16* | **26,659** | 2,221 |
| Prepayment and deposits paid for life insurance policies | *17* | **5,250** | 5,051 |
| | | **31,909** | 7,272 |
| Current assets | | | |
| Inventories | *18* | **7,525** | 6,190 |
| Amounts due from customers for contract work | *21* | **54,500** | 40,756 |
| Trade receivables | *19* | **37,955** | 32,594 |
| Retention monies receivables | *19* | **17,479** | 15,231 |
| Deposits, prepayments and other receivables | *20* | **10,890** | 6,020 |
| Amounts due from related companies | *22* | **–** | 11,320 |
| Amounts due from directors | *23* | **–** | 24 |
| Tax recoverable | | **2,987** | – |
| Pledged bank deposits | *24* | **8,057** | 18,049 |
| Bank balances and cash | *24* | **63,727** | 7,320 |
| | | **203,120** | 137,504 |
| Current liabilities | | | |
| Trade and bills payables | *25* | **30,915** | 40,560 |
| Amounts due to customers for contract work | *21* | **998** | 1,758 |
| Retention monies payables | *21* | **2,357** | 926 |
| Accrual and other payables | *26* | **5,116** | 1,722 |
| Bank borrowings | *27* | **26,820** | 40,879 |
| Tax payable | | **–** | 4,521 |
| | | **66,206** | 90,366 |
| Net current assets | | **136,914** | 47,138 |
| Total assets less current liabilities | | **168,823** | 54,410 |
| Non-current liability | | | |
| Deferred tax liability | *29* | **263** | 118 |
| | | **168,560** | 54,292 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2018

| | Notes | As at 31 March<br>2018<br>HK$'000 | <br>2017<br>HK$'000 |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 30 | **8,000** | – |
| Reserves | | **160,560** | 54,292 |
| | | **168,560** | 54,292 |

The consolidated financial statements on page 42 to 99 were approved and authorised for issue by the board of directors on 22 June 2018 and are signed on its behalf by:

**Lo Wing Cheung**
*Director*

**Fung Pik Mei**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

| | Share capital HK$'000 | Share premium HK$'000 | Capital reserve HK$'000 *(Note i)* | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2016 | 5,024 | – | – | 20,975 | 25,999 |
| Profit and total comprehensive income for the year | – | – | – | 28,293 | 28,293 |
| Arising from a group reorganisation | (5,024) | – | 5,024 | – | – |
| At 31 March 2017 and 1 April 2017 | **–** | **–** | **5,024** | **49,268** | **54,292** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **2,328** | **2,328** |
| Capitalisation issue of shares *(note 30(d))* | **6,000** | **(6,000)** | **–** | **–** | **–** |
| Issue of ordinary shares upon listing of the Company *(note 30(e))* | **2,000** | **128,000** | **–** | **–** | **130,000** |
| Share issue expenses | **–** | **(18,060)** | **–** | **–** | **(18,060)** |
| At 31 March 2018 | **8,000** | **103,940** | **5,024** | **51,596** | **168,560** |

*Note:*

*(i) Capital reserve represented the difference between the nominal amount of the share capitals and share premium of Fortuna Enterprise Holdings Limited ("Fortuna") and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | **5,584** | 34,383 |
| Adjustments for: | | |
| Finance costs | **2,414** | 2,501 |
| Bank interest income | **(10)** | (14) |
| Interest income from deposits paid for life insurance policies | **(208)** | (199) |
| Mortgage loan interest reimbursed from a related company | **(129)** | (159) |
| Amortisation of prepayment for life insurance policies | **9** | 7 |
| Impairment loss on trade receivables | **282** | 108 |
| Impairment loss on retention monies receivables | **–** | 200 |
| Depreciation of property, plant and equipment | **776** | 573 |
| Over-provision for long service payment | **–** | (26) |
| Loss on disposal of property, plant and equipment | **156** | 262 |
| Operating cash flows before movements in working capital | **8,874** | 37,636 |
| Increase in inventories | **(1,335)** | (971) |
| (Increase) decrease in trade receivables | **(5,643)** | 4,174 |
| (Increase) decrease in retention monies receivables | **(2,248)** | 2,737 |
| Increase in deposits, prepayments and other receivables | **(4,870)** | (2,213) |
| Increase in amounts due from customers for contract work | **(13,744)** | (30,609) |
| (Decrease) increase in trade and bill payables | **(9,645)** | 17,924 |
| Increase in retention monies payables | **1,431** | 531 |
| Increase in accrual and other payables | **3,394** | 916 |
| Decrease in amounts due to customers for contract work | **(760)** | (6,035) |
| Payment of long service payment | **–** | (449) |
| Cash (used in) generated from operations | **(24,546)** | 23,641 |
| Hong Kong Profits Tax paid | **(10,619)** | (718) |
| Macau Complementary Income Tax paid | **–** | (47) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | **(35,165)** | 22,876 |
| INVESTING ACTIVITIES | | |
| Bank interest income received | **10** | 14 |
| Purchases of property, plant and equipment | **(25,370)** | (647) |
| Placement of pledged bank deposits | **(13,008)** | (25,013) |
| Withdrawal of pledged bank deposits | **23,000** | 10,000 |
| Repayment from related companies | **11,320** | 153 |
| Repayment from directors | **24** | 1,580 |
| NET CASH USED IN INVESTING ACTIVITIES | **(4,024)** | (13,913) |

For the year ended 31 March 2018

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Interest paid | **(2,414)** | (2,501) |
| Mortgage loan interest reimbursed from a related company | **129** | 159 |
| Proceeds from issue of ordinary shares upon listing of the Company | **130,000** | – |
| Share issue expenses | **(18,060)** | – |
| New bank borrowings raised | **83,115** | 35,000 |
| Repayments of bank borrowings | **(97,174)** | (37,738) |
| NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES | **95,596** | (5,080) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **56,407** | 3,883 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | **7,320** | 3,437 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | **63,727** | 7,320 |

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is also Helios Enterprise Holding Limited ("Helios"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei ("Controlling shareholders"). The addresses of the registered office of the Company is PO Box 309 Ugland House Grand Cayman KY1-1104, the Cayman Islands and the principal place of business of the Company is Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

The Company is engaged in investment holding and its major operating subsidiaries are mainly engaged in sales of building materials and provision of construction and engineering services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Group.

Pursuant to the reorganisation as described in the section headed "History, Reorganisation and Corporate Structure — Corporate Reorganisation" in the prospectus of the Company dated 29 December 2017 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group after the completion of the Reorganisation on 14 March 2017. The companies now comprising the Group have been under the common control of the ultimate controlling shareholders throughout the period from 1 April 2016 or since their respective dates of incorporation up to 31 March 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 March 2017 by using the principles of merger accounting with reference to Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as described in note 3 below.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies now comprising the Group for the year ended 31 March 2017 have been prepared as if the current group structure had been in existence throughout the period from 1 April 2016 or since their respective dates of incorporation up to 31 March 2017.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the consolidated financial statements for the two years ended 31 March 2018, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Ints") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2017.

### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 19 | Employee Benefits[2] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC)-Int 23 | Uncertainty Over Income Tax Treatments[2] |

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as describe below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 March 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables, retention monies receivables, deposits and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade receivables, retention monies receivables, deposits and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods and construction contracts. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue.

Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 15 Revenue from Contracts with Customers (Continued)

In respect of the construction contracts, the directors of the Company have considered the guidance of HKFRS 15 on contract combination, contract modifications, variable consideration and the existence of significant financing component in the contracts. The directors of the Company have assessed that revenue from these construction contracts will be recognised over time during the course of construction. Furthermore, the directors of the Company have considered that the input method currently used to measure the progress towards complete satisfaction of these performance obligations appropriately depicts the performance under the contracts and will continue to be applied under HKFRS 15. The directors of the Company expect that the adoption of HKFRS 15 will not have material impact on amounts reported in the Group's consolidated financial statements.

#### HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 16 Leases (Continued)

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$2,466,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right of-use assets and lease liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

### Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business and net of discounts.

Revenue from the sale of goods is recognised when the receipt of goods is acknowledged by customers and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition for construction contracts in relation to projects involving sales of building material with related installation services included in the segment of construction works is set out in the section headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Construction contracts (Continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables and retention monies receivables.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for life insurance policies, trade receivables, retention monies receivables, deposits and other receivables, amounts due from related companies and directors, bank balances and cash and pledged bank deposits) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Impairment loss on financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, retention monies receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, retention monies receivables, deposits and other receivables and amounts due from directors and related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, retention monies receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities including trade payables, bills payables, retention monies payables, accrual and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Construction contracts revenue recognition

The Group recognised contract revenue of a construction contract according to the management's estimation of the stage of completion of the contract by reference to the accumulated contract costs recognised over the budget cost at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue recognised and the amounts due from (to) customers for contract work as detailed in note 21.

### Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Impairment loss recognised in respect of trade receivables and retention monies receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

As at 31 March 2018, the carrying values of trade receivables is approximately HK$37,955,000 (2017: HK$32,594,000) net of allowance for doubtful debt of approximately HK$1,322,000 (2017: HK$1,040,000).

As at 31 March 2018, the carrying values of retention monies receivables is approximately HK$17,479,000 (2017: HK$15,231,000) net of allowance for doubtful debt of approximately HK$608,000 (2017: HK$608,000).

### Impairment loss recognised in respect of amounts due from customers for contract works

The Group performs ongoing evaluation of its work progress and adjusts recognised work progress based on past experience of uncompromised billings and variances in work progress agreed with customers. The Group continuously monitors the working progress of each project and negotiates with its customers and maintains a provision for estimated losses based upon its historical experience and any specific billing issues that it has been identified. As at 31 March 2018, the carrying amounts of amounts due from customers for contract work is approximately HK$54,500,000 (2017: HK$40,756,000). No impairment loss was recognised during the year ended 31 March 2018 (2017: nil).

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of bank balances and cash disclosed in note 24 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider costs of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including bank balances and cash) | **134,524** | 92,581 |
| **Financial liabilities** | | |
| Financial liabilities stated at amortised cost | **61,712** | 84,087 |

### Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for life insurance policies, trade receivables, retention monies receivables, deposits and other receivables, amounts due from related companies and directors, pledged bank deposits, bank balances and cash, trade payables, bills payables, retention monies payables, accrual and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

*(i)* *Currency risk*

The Group has foreign currency purchases, which expose the Group to foreign currency risk. For the year ended 31 March 2018, 17% (2017: 47%) of the Group's cost of sales and services are denominated in currencies other than the function currency of the respective group's entities. The Group currently does not have hedging policy to minimise the foreign exchange risk. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 |
| United States Dollar ("USD") | **9,411** | 5,051 | **–** | – |
| EURO ("EUR") | **–** | 3 | **(13,330)** | (24,088) |

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to the currency risk of EUR. No sensitivity analysis was prepared for USD of the group entity with functional currency of HK$ since HK$ is pegged to USD and the exposure is insignificant.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies for the year ended 31 March 2018. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rate.

The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A positive number below indicates an increase (2017: increase) in post-tax profit where HK$ strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Effect on post-tax profit:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| EUR | **554** | 1,004 |

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see note 24) and fixed-rate bank borrowings (see note 27). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 24) and variable-rate bank borrowings (see note 27). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances and the fluctuation of prime rates, bank's best lending rate and HIBOR arising from the Group's bank borrowings denominated in HK$.

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

*(ii) Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. For the year ended 31 March 2018, a 50 basis point (2017: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$154,000 (2017: decrease/increase by HK$123,000).

#### Credit risk

As at 31 March 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables, retention monies receivables, other receivables and deposits paid for life insurance policies regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Amounts due from related companies and directors are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is all in Hong Kong as at 31 March 2018 (2017: all).

The Group has concentration of credit risk as 35% (2017: 18%) and 71% (2017: 61%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the provision of construction and engineering services segment.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2018, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$19,400,000 (2017: HK$11,176,000) respectively. Details of which are set out in note 27.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

*Liquidity table*

| | At 31 March 2018 | | |
|---|---|---|---|
| | Within 1 year or on demand HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
| *Non-derivative financial liabilities* | | | |
| Trade and bills payables | 30,915 | 30,915 | 30,915 |
| Retention monies payables | 2,357 | 2,357 | 2,357 |
| Accrual and other payables | 1,620 | 1,620 | 1,620 |
| Bank borrowings *(Note)* | 26,820 | 26,820 | 26,820 |
| | 61,712 | 61,712 | 61,712 |

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

*Liquidity table (Continued)*

| | At 31 March 2017 | | |
|---|---|---|---|
| | Within 1 year or on demand HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
| *Non-derivative financial liabilities* | | | |
| Trade and bills payables | 40,560 | 40,560 | 40,560 |
| Retention monies payables | 926 | 926 | 926 |
| Accrual and other payables | 1,722 | 1,722 | 1,722 |
| Bank borrowings *(Note)* | 40,879 | 40,879 | 40,879 |
| | 84,087 | 84,087 | 84,087 |

*Note:*

*Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$26,820,000 (2017: HK$40,879,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$27,917,000 (2017: HK$42,425,000).*

*The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on contractual undiscounted payments.

The table includes both interest and principal cash flows. To the extent that interest flows are based on a floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

*Maturity Analysis*

| | At 31 March 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
| *Non-derivative financial liabilities* | | | | | | |
| Trade and bills payables | **30,915** | **–** | **–** | **–** | **30,915** | **30,915** |
| Retention monies payables | **2,357** | **–** | **–** | **–** | **2,357** | **2,357** |
| Accrual and other payables | **1,620** | **–** | **–** | **–** | **1,620** | **1,620** |
| Bank borrowings | **21,016** | **821** | **1,561** | **4,519** | **27,917** | **26,820** |
| | **55,908** | **821** | **1,561** | **4,519** | **62,809** | **61,712** |

| | At 31 March 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
| *Non-derivative financial liabilities* | | | | | | |
| Trade and bills payables | 40,560 | – | – | – | 40,560 | 40,560 |
| Retention monies payables | 926 | – | – | – | 926 | 926 |
| Accrual and other payables | 1,033 | – | – | – | 1,033 | 1,033 |
| Bank borrowings | 37,627 | 1,122 | 2,390 | 1,286 | 42,425 | 40,879 |
| | 80,146 | 1,122 | 2,390 | 1,286 | 84,944 | 83,398 |

### Fair value measurements recognised in the consolidated statement of financial position

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their immediate or short-term maturities.

The directors of the Company also consider that the carrying amounts of non-current financial assets recorded at amortised cost in the consolidated financial statements approximate to their fair values due to insignificant impact of discounting.

## 7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and construction contracts. The following is an analysis of the Group's revenue for the year:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Sales of building materials | 50,218 | 65,902 |
| Revenue from construction contracts | 229,843 | 136,417 |
| | 280,061 | 202,319 |

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in nature of revenue. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

— Sales of building materials — trading of goods on building materials; and

— Construction contracts — provision of construction and engineering services.

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

**For the year ended 31 March 2018**

| | Sales of building materials<br>HK$'000 | Construction contracts<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| Segment revenue | | | |
| External sales | 50,218 | 229,843 | 280,061 |
| Segment profit | 18,468 | 37,683 | 56,151 |
| Unallocated income | | | 828 |
| Unallocated corporate expenses | | | (48,981) |
| Unallocated finance costs | | | (2,414) |
| Profit before tax | | | 5,584 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

**For the year ended 31 March 2017**

| | Sales of building materials HK$'000 | Construction contracts HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment revenue | | | |
| External sales | 65,902 | 136,417 | 202,319 |
| Segment profit | 27,942 | 35,972 | 63,914 |
| Unallocated income | | | 1,175 |
| Unallocated corporate expenses | | | (28,205) |
| Unallocated finance costs | | | (2,501) |
| Profit before tax | | | 34,383 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, loss on disposal of property, plant and equipment, other income, finance costs and non-recurring listing expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

#### Segment assets

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Sales of building materials | **7,207** | 16,857 |
| Construction contracts | **102,727** | 71,724 |
| Total segment assets | **109,934** | 88,581 |
| Unallocated corporate assets | **125,095** | 56,195 |
| Total assets | **235,029** | 144,776 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

#### Segment liabilities

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Sales of building materials | **9,441** | 9,629 |
| Construction contracts | **28,325** | 33,615 |
| Total segment liabilities | **37,766** | 43,244 |
| Unallocated corporate liabilities | **28,703** | 47,240 |
| Total liabilities | **66,469** | 90,484 |

For the purposes of monitoring segment performance and allocating resources between segments:

— only assets of amounts due from customers for contract work, trade receivables and retention monies receivables are allocated to operating segments; and

— only liabilities of amounts due to customers for contract work and trade payables, bills payables, retention monies payables and certain accrual and other payables are allocated to operating segments.

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Other segment information

**For the year ended 31 March 2018**

| | Sales of building materials HK$'000 | Construction contracts HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Addition to non-current assets *(Note)* | – | – | 25,370 | 25,370 |
| Depreciation of property, plant and equipment | – | – | 776 | 776 |
| Loss on disposal of property, plant and equipment | – | – | 156 | 156 |
| Impairment loss on trade receivables | 215 | 67 | – | 282 |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or segment assets: | | | | |
| Interest income from deposits paid for life insurance policies | – | – | (208) | (208) |
| Mortgage loan interest reimbursed from a related company | – | – | (129) | (129) |
| Finance cost | – | – | 2,414 | 2,414 |
| Income tax expense | – | – | 3,256 | 3,256 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

**For the year ended 31 March 2017**

| | Sales of building materials HK$'000 | Construction contracts HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Addition to non-current assets *(Note)* | – | – | 647 | 647 |
| Depreciation of property, plant and equipment | – | – | 573 | 573 |
| Loss on disposal of property, plant and equipment | – | – | 262 | 262 |
| Impairment loss on trade receivables | – | 108 | – | 108 |
| Impairment loss on retention monies receivables | – | 200 | – | 200 |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or segment assets: | | | | |
| Interest income from deposits paid for life insurance policies | – | – | (199) | (199) |
| Mortgage loan interest reimbursed from a related company | – | – | (159) | (159) |
| Finance cost | – | – | 2,501 | 2,501 |
| Income tax expense | – | – | 6,090 | 6,090 |

*Note: Non-current assets excluded prepayment and deposits paid for life insurance policies.*

### Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Gypsum block | **92,313** | 109,237 |
| Timber flooring | **160,352** | 84,595 |
| Others (roof tiles, woodwork products and provision of refurbishment services) | **27,396** | 8,487 |
| | **280,061** | 202,319 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Customer A[1, 2] | **43,044** | N/A* |
| Customer B[1, 2] | **40,899** | 34,867 |
| Customer C[2] | **N/A*** | 25,576 |

*1 Revenue from construction contracts segment*
*2 Revenue from sales of building materials segment*
** The corresponding revenue did not contribute over 10% of the total revenue of the Group*

### Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

#### Revenue from external customers

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Hong Kong | **280,061** | 202,254 |
| Macau | **–** | 65 |
| | **280,061** | 202,319 |

#### Non-current assets

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Hong Kong | **26,659** | 2,221 |

*Note: Non-current assets excluded prepayment and deposits paid for life insurance policies.*

 

## 8. OTHER INCOME

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest income from deposits paid for life insurance policies | **208** | 199 |
| Mortgage loan interest reimbursed from a related company | **129** | 159 |
| Net foreign exchange gain | **–** | 520 |
| Sample income | **117** | 254 |
| Rental income *(Note)* | **68** | – |
| Others | **306** | 43 |
| | **828** | 1,175 |

*Note: The amount represented the remaining rental income received from the former tenants upon the acquisition of the Group's office premises.*

## 9. FINANCE COSTS

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest on bank borrowings | **2,414** | 2,501 |

## 10. INCOME TAX EXPENSES

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong Profits Tax | **3,111** | 6,061 |
| Deferred taxation *(note 29)* | **145** | 29 |
| | **3,256** | 6,090 |

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year ended 31 March 2018.

Macau Complementary Income Tax is calculated at 12% (2017: 12%) of the estimated assessable profits for the year ended 31 March 2018.

No Macau Complementary Income Tax has been provided since there were no assessable profits generated for the years ended 31 March 2018 and 2017.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI for the years ended 31 March 2018 and 2017.

## 10. INCOME TAX EXPENSES (Continued)

The income tax expense for the years can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Profit before taxation | **5,584** | 34,383 |
| Tax calculated at the domestic income tax rate of 16.5% (2017: 16.5%) | **921** | 5,673 |
| Tax effect of expenses not deductible for tax purposes | **2,365** | 420 |
| Tax effect of income not taxable for tax purpose | **–** | (33) |
| Tax effect of tax exemption granted *(Note)* | **(30)** | (20) |
| Effect of different tax rates of subsidiary operating in other jurisdictions | **–** | 50 |
| Income tax expense for the year | **3,256** | 6,090 |

Details of deferred tax liability are set out in note 29.

*Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2017/2018 by 75% (2016/2017 by 75%), subject to a ceiling of HK$30,000 (2017: HK$20,000) per each company.*

## 11. PROFIT FOR THE YEAR

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging/(crediting): | | |
| Directors' and chief executive's emoluments *(note 12)* | **4,033** | 3,120 |
| Other staff costs | **9,864** | 7,096 |
| Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments) | **356** | 199 |
| Over-provision for long service payment | **–** | (26) |
| Total staff costs | **14,253** | 10,389 |
| Auditor's remuneration | **700** | 125 |
| Depreciation of property, plant and equipment | **776** | 573 |
| Professional expenses incurred in connection with the Company's listing | **13,670** | 1,875 |
| Net foreign exchange losses | **2,139** | – |
| Loss on disposal of property, plant and equipment | **156** | 262 |
| Impairment loss on trade receivables | **282** | 108 |
| Impairment loss on retention monies receivables | **–** | 200 |
| Amortisation of prepayment paid for life insurance policies | **9** | 7 |
| Minimum lease payments paid under operating lease in respect of rented premises | **1,412** | 1,470 |
| Amount of inventories recognised as an expense | **44,086** | 49,403 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' and chief executive's emoluments are as follows:

| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings: | Fee | Salaries | Discretionary bonuses (Note i) | Contribution to defined contribution retirement benefits scheme | Estimated money value of non-cash benefits (Note ii) | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2018** | | | | | | |
| *Executive directors* | | | | | | |
| Mr. Lo Wing Cheung ("Mr. Lo") | – | 925 | 270 | 18 | 1,548 | 2,761 |
| Ms. Fung Pik Mei ("Ms. Fung") | – | 830 | 260 | 18 | – | 1,108 |
| *Non-executive director* | | | | | | |
| Mr. Wan Ho Yin *(Note iii)* | 41 | – | – | – | – | 41 |
| *Independent non-executive directors* | | | | | | |
| Mr. Shu Wa Tung Laurence *(Note iv)* | 41 | – | – | – | – | 41 |
| Mr. Tam Wai Tak Victor *(Note iv)* | 41 | – | – | – | – | 41 |
| Mr. Tam Wing Lok *(Note iv)* | 41 | – | – | – | – | 41 |
| | 164 | 1,755 | 530 | 36 | 1,548 | 4,033 |
| **Year ended 31 March 2017** | | | | | | |
| *Executive directors* | | | | | | |
| Mr. Lo | – | 600 | 150 | 18 | 1,584 | 2,352 |
| Ms. Fung | – | 600 | 150 | 18 | – | 768 |
| | – | 1,200 | 300 | 36 | 1,584 | 3,120 |

*Notes:*

*(i)* *The discretionary bonus is determined by the board of directors having regard to the performance of the relevant director and the operating results of the Group as a whole in respect of each financial year.*

*(ii)* *Included in the amount paid to Mr. Lo is estimated money value of a leased property for the directors' quarters and carpark. The leased carpark was terminated during the year ended 31 March 2018.*

*(iii)* *Appointed on 22 June 2017*

*(iv)* *Appointed on 19 December 2017*

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

None of the directors and chief executive of the Company waived or agreed to waive any emoluments paid by the Group for the years ended 31 March 2018 and 2017. No emoluments were paid by the Group to any directors or the chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2018 and 2017.

Mr. Lo is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

## 13. EMPLOYEES' EMOLUMENTS

For the year ended 31 March 2018, of the five individuals with the highest emoluments in the Group, two (2017: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2017: three) individuals were as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | **2,899** | 1,980 |
| Contribution to defined contribution retirement benefits scheme | **54** | 54 |
| | **2,953** | 2,034 |

Their emoluments were within the following bands:

| | **2018**<br>**Number of individuals** | 2017<br>Number of individuals |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 2 |
| HK$1,000,001 to HK$1,500,000 | **–** | 1 |
| HK$1,500,001 to HK$2,000,000 | **1** | – |

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2018 and 2017.

## 14. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

## 15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company | **2,328** | 28,293 |

| | **2018** | 2017 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares) | **640,548** | 600,000 |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 March 2018 and 2017 have been retrospectively adjusted for the effects of the capitalisation issue of the ordinary shares of the Company as a result of Reorganisation as disclosed in note 30.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2018 and 2017.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 2016 | 1,330 | 913 | 757 | 832 | 3,832 |
| Additions | – | 345 | 302 | – | 647 |
| Disposals | – | (425) | (26) | – | (451) |
| At 31 March 2017 and 1 April 2017 | 1,330 | 833 | 1,033 | 832 | 4,028 |
| Additions | 22,083 | 2,264 | 672 | 351 | 25,370 |
| Disposals | – | (403) | (79) | – | (482) |
| At 31 March 2018 | 23,413 | 2,694 | 1,626 | 1,183 | 28,916 |
| **ACCUMULATED DEPRECIATION** | | | | | |
| At 1 April 2016 | 160 | 266 | 289 | 708 | 1,423 |
| Charge for the year | 13 | 241 | 195 | 124 | 573 |
| Eliminated on disposals | – | (171) | (18) | – | (189) |
| At 31 March 2017 and 1 April 2017 | 173 | 336 | 466 | 832 | 1,807 |
| Charge for the year | 136 | 372 | 217 | 51 | 776 |
| Eliminated on disposals | – | (271) | (55) | – | (326) |
| At 31 March 2018 | 309 | 437 | 628 | 883 | 2,257 |
| **CARRYING VALUES** | | | | | |
| At 31 March 2018 | 23,104 | 2,257 | 998 | 300 | 26,659 |
| At 31 March 2017 | 1,157 | 497 | 567 | – | 2,221 |

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | 1% or estimated useful life of 30 years |
| Leasehold improvements | Over the shorter of term of the lease or 5 years |
| Office equipment | 20% |
| Motor vehicles | 25% |

As at 31 March 2018, the Group has pledged leasehold land and buildings with carry values of approximately HK$23,104,000 (2017: HK$1,157,000) to secure general banking facilities granted to the Group.

## 17. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES

On 29 August 2012 ("Policy A") and 18 September 2013 ("Policy B"), the Company entered into life insurance policies with an insurance company on Ms. Fung Pik Mei. Under the policies, the beneficiary and policies holder is the Company. The Company is required to pay an upfront payment for the policies. The Company may request a partial surrender or full surrender of the policies at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the thirty-fifth policy year for Policy A and the first to the thirty-forth policy year for Policy B, as appropriate, a pre-determined specified surrender charge would be imposed.

The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit paid for the life insurance policies carry guaranteed interests at interest rates ranging from 3.87% to 4.0% plus a premium determined by the insurance company during the tenures of the policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

| | | Guaranteed interest rates | |
|---|---|---|---|
| **Insured sum** | **Upfront payment** | **First year** | **Second year and onwards** |
| **Policy A:** | | | |
| US$1,108,000 (equivalent to HK$8,591,000) | US$276,000 (equivalent to HK$2,140,000) | 4% per annum | 2% per annum |
| **Policy B:** | | | |
| US$1,018,000 (equivalent to HK$7,893,000) | US$280,000 (equivalent to HK$2,171,000) | 4% per annum | 2% per annum |

The carrying values of prepayment and deposits paid for life insurance policies at the end of each reporting period are set out as below:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Deposits paid | **5,030** | 4,822 |
| Prepayment | **220** | 229 |
| | **5,250** | 5,051 |

The carrying values of the prepayment and deposits paid for life insurance policies as at 31 March 2018 and 2017 approximates the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition. The entire balance of the life insurance policies are denominated in USD.

## 17. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES (Continued)

Included in the prepayment and deposits paid for life insurance policies are the following amount denominated in a currency other than the functional currency of relevant group entities:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| USD | **5,250** | 5,051 |

## 18. INVENTORIES

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Materials and consumables for construction works and trading purpose | **862** | 819 |
| Goods in transit | **6,663** | 5,371 |
| | **7,525** | 6,190 |

## 19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES

The following is an analysis of trade receivables and retention monies receivables at the end of each reporting period:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Trade receivables | **39,277** | 33,634 |
| Less: impairment loss on trade receivables | **(1,322)** | (1,040) |
| | **37,955** | 32,594 |
| Retention monies receivables | **18,087** | 15,839 |
| Less: impairment loss on retention monies receivables | **(608)** | (608) |
| | **17,479** | 15,231 |
| | **55,434** | 47,825 |

The average credit period granted to trade customers other than retention monies receivables ranged from 30 to 60 days. The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion, the expiry of the maintenance period or a pre-agreed time period. Retention monies receivables are included in current assets as the Group expects to realise these within its normal operating cycle. The Group does not hold any collateral over these balances.

## 19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES (Continued)

The following is an aging analysis of trade receivables net of impairment loss of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **30,679** | 23,318 |
| 31 to 60 days | **2,474** | 4,572 |
| 61 to 90 days | **2,996** | 2,405 |
| Over 90 days | **1,806** | 2,299 |
| | **37,955** | 32,594 |

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,670,000 (2017: HK$8,390,000), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The average age of these receivables is 46 days (2017: 63 days).

The aged analysis of trade receivable which were past due but not impaired is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Past due but not impaired: | | |
| Less than 31 days past due | **3,681** | 4,706 |
| 31 to 90 days past due | **861** | 1,838 |
| Past due over 90 days | **1,128** | 1,846 |
| | **5,670** | 8,390 |

Before accepting any new customers, the Group uses credit limits and credit approvals to assess the potential customer's credit quality and defines credit limits for each customer. All balance of trade receivables were subject to case by case impairment assessment.

The movement in the allowance for impairment of trade receivables is set out below:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of the year | **1,040** | 932 |
| Impairment loss recognised on trade receivables | **282** | 108 |
| At the end of the year | **1,322** | 1,040 |

## 19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES (Continued)

As at 31 March 2018, included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$1,322,000 (2017: HK$1,040,000). These individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

The movement in the allowance for impairment of retention monies receivables is set out below:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of the year | **608** | 408 |
| Impairment loss recognised on retention monies receivables | **–** | 200 |
| At the end of the year | **608** | 608 |

As at 31 March 2018, included in the allowance for impairment of retention monies receivables are individually impaired retention monies receivables with an aggregate balance of, approximately HK$608,000 (2017: HK$608,000). These individually impaired receivables are long outstanding.

In the opinion of directors of the Company, the following table illustrates the aging analysis of retention monies receivables expected to be recovered within or after one year as at the end of the reporting periods:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **5,173** | 7,721 |
| After 1 year | **12,306** | 7,510 |
| | **17,479** | 15,231 |

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Deposits | **1,975** | 3,221 |
| Prepayments | **8,614** | 2,799 |
| Other receivables | **301** | – |
| | **10,890** | 6,020 |

Included in deposits and prepayments is the following amount denominated in a currency other than the functional currency of relevant group entities:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| USD | **4,161** | – |

## 21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/RETENTION MONIES PAYABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Contracts in progress at the end of the reporting period:** | | |
| Contract costs incurred plus recognised profits less recognised losses | **239,650** | 193,296 |
| Less: progress billings | **(186,148)** | (154,298) |
| | **53,502** | 38,998 |
| **Analysed for reporting purpose as:** | | |
| Amounts due from customers for contract work | **54,500** | 40,756 |
| Amounts due to customers for contract work | **(998)** | (1,758) |
| | **53,502** | 38,998 |

As at 31 March 2018, retentions monies held by customers for contract works amounted to approximately HK$17,479,000 (2017: HK$15,231,000). Details of which are set out in note 19.

As at 31 March 2018, the retentions monies held by the Group for contract works amounted to approximately HK$2,357,000 (2017: HK$926,000) included in retention monies payables.

## 22. AMOUNTS DUE FROM RELATED COMPANIES

| | As at 31 March | | Maximum amount outstanding for the year | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Tristar Building Materials Company ("Tristar") | **–** | 6,769 | **6,769** | 7,873 |
| Sun Warm Holding Company Limited ("Sun Warm") | **–** | 4,551 | **4,551** | 4,997 |
| | **–** | 11,320 | | |

For the years ended 31 March 2018 and 2017, Tristar was indirectly owned by Mr. Lo and Ms. Fung, the beneficial owners and directors of the Company, through Fortune Loy Holdings Limited and United Aim Limited.

For the years ended 31 March 2018 and 2017, Sun Warm was directly owned by Mr. Lo and Ms. Fung, the beneficial owners and directors of the Company.

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand, which were fully settled during the year ended 31 March 2018.

## 23. AMOUNTS DUE FROM DIRECTORS

Loans to officers disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

| | As at 31 March | | Maximum amount outstanding for the year | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Mr. Lo | **–** | 17 | **982** | 10,209 |
| Ms. Fung | **–** | 7 | **223** | 1,055 |
| | **–** | 24 | | |

The amounts are unsecured, interest-free and repayable on demand, which were fully settled during the year ended 31 March 2018.

## 24. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

### Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged to secure short-term bank overdrafts, short-term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged deposits carry fixed interest rate which range from 0.05% to 0.25% per annum (2017: 0.1% per annum) for the year ended 31 March 2018.

### Bank balances and cash

Bank balances carry interest at market rates of 0.1% to 0.2% per annum (2017: 0.1% to 0.2% per annum) for the year ended 31 March 2018.

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of relevant group entities:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| EUR | – | 3 |

## 25. TRADE AND BILLS PAYABLES

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Trade payables | 23,673 | 24,573 |
| Bills payables | 7,242 | 15,987 |
| | 30,915 | 40,560 |

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within 30 days | 20,148 | 24,404 |
| 31 to 90 days | 9,528 | 10,552 |
| 91 to 180 days | 1,232 | 5,604 |
| Over 180 days | 7 | – |
| | 30,915 | 40,560 |

## 25. TRADE AND BILLS PAYABLES (Continued)

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade and bill payables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| EUR | **13,330** | 24,088 |

## 26. ACCRUAL AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Accrual | **1,617** | 1,033 |
| Receipt in advance | **3,465** | – |
| Other payables | **34** | 689 |
| | **5,116** | 1,722 |

## 27. BANK BORROWINGS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Secured | **26,820** | 35,314 |
| Unsecured | **–** | 5,565 |
| | **26,820** | 40,879 |

Bank borrowings carry interest at market rates ranging from 2% to 5.75% (2017: 2.75% to 6.75%) per annum for the year ended 31 March 2018.

## 27. BANK BORROWINGS (Continued)

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Within one year | 20,724 | 36,517 |
| After one year but within two years | 704 | 983 |
| After two years but within five years | 1,277 | 2,142 |
| Over five years | 4,115 | 1,237 |
| | 26,820 | 40,879 |
| Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause | 6,096 | 4,362 |
| Carrying amount repayable that are repayable within one year from the end of the reporting period and contain a repayment on demand clause | 20,724 | 36,517 |
| Amount shown under current liabilities | 26,820 | 40,879 |

The exposure of the Group's fixed-rate bank borrowings and the contractual maturity dates are as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Within one year | – | 617 |
| After one year but within two years | – | 522 |
| After two years but within five years | – | 1,688 |
| Over five years | – | 1,237 |
| | – | 4,064 |

In addition, the Group has variable-rate bank borrowings and the contractual maturity dates are as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Within one year | 20,724 | 35,900 |
| After one year but within two years | 704 | 461 |
| After two years but within five years | 1,277 | 454 |
| Over five years | 4,115 | – |
| | 26,820 | 36,815 |

## 27. BANK BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate bank borrowings | **N/A** | 3.75% to 5.5% |
| Variable-rate bank borrowings | **2.00% to 5.75%** | 2.75% to 6.75% |

For the year ended 31 March 2018, the Group obtained new bank borrowings in the amounts of approximately HK$83,115,000 (2017: HK$35,000,000). The loans bear interest at market rates and will be repayable in accordance to the repayment schedule of each loan. The proceeds were used to finance the daily operation of the Group.

The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Facility amount | **46,220** | 52,055 |
| Utilisations at 31 March | | |
| — Secured bank borrowings | **26,820** | 35,314 |
| — Unsecured bank borrowings | **–** | 5,565 |
| | **26,820** | 40,879 |
| Undrawn facility amount | **19,400** | 11,176 |

As at 31 March 2018 and 2017, the banking facilities were secured by assets pledged as set out in notes 16 and 24 respectively:

- pledged bank deposits of the Group;
- certain properties of a related company which was released during the year ended 31 March 2018;
- certain properties of the Group; and
- unlimited personal guarantee provided by the directors of the Company which was released during the year ended 31 March 2018.

## 28. CONTINGENT LIABILITIES

At 31 March 2018, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury.

In the opinion of the directors of the Company, the litigation and potential claim are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements.

## 29. DEFERRED TAX LIABILITY

The movements of the deferred tax liability during the current and prior years were as follows:

| | **Accelerated tax depreciation** HK$'000 |
|---|---|
| At 1 April 2016 | 89 |
| Charge to profit or loss | 29 |
| At 31 March 2017 and 1 April 2017 | 118 |
| Charge to profit or loss | 145 |
| At 31 March 2018 | 263 |

## 30. SHARE CAPITAL

The share capital as at 31 March 2017 represented the sum of share capital of the companies then comprising the Group. The share capital as at 31 March 2018 represented the share capital of the Company.

Details of the share capital of the Company are as follows:

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | | | **HK$'000** | HK$'000 |
| Ordinary share of HK$0.01 each | | | | |
| *Authorised* | | | | |
| At the date of incorporation *(Note a)* | **38,000,000** | 38,000,000 | **380** | 380 |
| Increased on 19 December 2017 *(Note b)* | **1,962,000,000** | – | **19,620** | – |
| At the end of the year | **2,000,000,000** | 38,000,000 | **20,000** | 380 |
| *Issued and fully paid:* | | | | |
| At the date of incorporation *(Note c)* | **10,000** | 1 | **–** | – |
| Arising from a group reorganisation *(Note c)* | **–** | 9,999 | **–** | – |
| Capitalisation issue of shares *(Note d)* | **599,990,000** | – | **6,000** | – |
| Issue of ordinary shares upon listing of the Company *(Note e)* | **200,000,000** | – | **2,000** | – |
| At 31 March | **800,000,000** | 10,000 | **8,000** | – |

(a) On 8 February 2017, the Company was incorporated in the Cayman Islands with an authorised capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each on the same date. One share representing the entire issued share capital of the Company, was issued and allotted to the initial subscriber, which was subsequently transferred to Helios, and Helios became the sole shareholder of the Company.

(b) Pursuant to the special written resolutions passed by the shareholders of the Company on 19 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional of 1,962,000,000 shares of HK$0.01 each.

## 30. SHARE CAPITAL (Continued)

(c) On 14 March 2017 and 8 March 2017, Fortuna completed the acquisition of entire equity interests of Kwan Tai Engineering Co., Limited ("Kwan Tai HK") and Companhia de Engenharia Kwan Tai, Sociedade Unipessoal Limitada ("Kwan Tai Macau") from the Controlling Shareholders at a consideration of HK$44,572,118 by allotment and issuance of 9,999 new ordinary shares of the Company at par value of HK$0.01 and cash consideration of MOP25,000 (equivalent to approximately HK$24,000), respectively. The consideration was determined and mutually agreed by the parties. Upon the completion of the acquisition, Kwan Tai HK and Kwan Tai Macau became direct wholly-owned subsidiaries of Fortuna and indirect wholly-owned subsidiaries of the Company.

(d) Pursuant to a special written resolution passed by the shareholders of the Company on 19 December 2017, conditional upon the crediting of the share premium account of the Company as a result of issue of shares pursuant to share offer set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 599,990,000 shares, by the way of capitalisation of the sum of HK$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

(e) On 17 January 2018, the Company issued a total of 200,000,000 ordinary shares with a par value of HK$0.01 each at a price of HK$0.65 per share as a result of the completion of the placing. Of the total gross proceeds amounting to HK$130,000,000, HK$2,000,000 representing the par value credit to the Company's share capital and HK$128,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 800,000,000 shares upon completion of the share offer.

(f) All shares issued during the years ended 31 March 2018 and 2017 rank pari passu with all the existing shares in all aspects.

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowings HK$'000 *(note 27)* |
|---|---|
| At 1 April 2017 | 40,879 |
| Financing cash flows: | |
| — Addition | 83,115 |
| — Repayment | (97,174) |
| At 31 March 2018 | 26,820 |

## 32. OPERATING LEASES COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group had commitments on office, car parking space and the Company's director's quarters for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | **1,495** | 3,023 |
| In the second to fifth years inclusive | **971** | 1,002 |
| | **2,466** | 4,025 |

Operating lease payments represent rentals payable by the Group for certain of its rented premises for office, car parking space and the Company's director's quarters. Leases are negotiated for terms ranging from one to two years (2017: one to two years) with fixed rentals.

## 33. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to special written resolution of the Company passed on 19 December 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18 December 2027. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and for the years ended 31 March 2018 and 2017.

## 34. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, for the year, the Group entered into transactions with related party as follows:

| Related party | Nature of transaction | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Tristar | Staff cost reimbursed to *(note i)* | – | 2,075 |
| Sun Warm | Interest reimbursed from *(note ii)* | (129) | (159) |
| | Rental expenses *(note iii)* | 768 | 768 |

*Notes:*

*(i) Certain staff cost were reimbursed to Tristar on a full indemnity basis.*

*(ii) Mortgage loan interest expenses were reimbursed from Sun Warm on a full indemnity basis.*

*(iii) Sun Warm lease a property to the Group for a two-year term commencing from 1 April 2016 and ending on 31 March 2018.*

### (b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel for the year was as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Short-term benefits | 6,288 | 3,780 |
| Post-employment benefits | 105 | 61 |
| | 6,393 | 3,841 |

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 35. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

For the year ended 31 March 2018, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$392,000 (2017: HK$235,000) represents contributions payable to the MPF scheme by the Group in respect of the current accounting period.

## 36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| Non-current asset | | | |
| Investment in a subsidiary | | **44,596** | 44,596 |
| Current assets | | | |
| Amount due from a subsidiary | | **63,618** | – |
| Bank balances and cash | | **48,194** | – |
| | | **111,812** | – |
| Current liability | | | |
| Accrual and other payables | | **121** | 49 |
| Net current assets (liability) | | **111,691** | (49) |
| | | **156,287** | 44,547 |
| Capital and reserves | | | |
| Share capital | | **8,000** | – |
| Reserves | *(a)* | **148,287** | 44,547 |
| | | **156,287** | 44,547 |

## 36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Note (a):*

*Movements in reserves*

| | Share premium HK$'000 | Capital reserve HK$'000 *(Note)* | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At date of incorporation on 8 February 2017 | – | – | – | – |
| Loss and total comprehensive expense for the year | – | – | (25) | (25) |
| Arising from a group reorganisation | – | 44,572 | – | 44,572 |
| As 31 March 2017 and 1 April 2017 | – | 44,572 | (25) | 44,547 |
| Loss and total comprehensive expense for the year | – | – | (200) | (200) |
| Capitalisation issue of shares *(note 30(d))* | (6,000) | – | – | (6,000) |
| Issue of ordinary shares upon listing of the Company *(note 30(e))* | 128,000 | – | – | 128,000 |
| Share issue expenses | (18,060) | – | – | (18,060) |
| At 31 March 2018 | 103,940 | 44,572 | (225) | 148,287 |

*Note: Capital reserve represented the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon Reorganisation.*

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2018 and 2017 are as follows:

| Name of subsidiary | Place of incorporation/ operation | Issued and fully paid ordinary share capital | Percentage of equity interest and voting power attributable to the Company Direct | | Indirect | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2018** | 2017 | **2018** | 2017 | |
| Fortuna | BVI | USD1 | **100%** | 100% | **–** | – | Investment holding |
| Kwan Tai HK | Hong Kong | HK$1 | **–** | – | **100%** | 100% | Trading of building materials and provision of construction and engineering services |
| Kwan Tai Macau | Macau | MOP25,000 | **–** | – | **100%** | 100% | Provision of construction and engineering services |
| Kwan Tai China *(Note)* | Hong Kong | HK$10,000 | **–** | – | **100%** | – | Inactive |

*Note: Newly incorporated on 14 March 2018.*

None of the subsidiaries had issued any debt securities outstanding at the end of both years or at any time during both years.

# FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows.

## RESULTS

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **280,061** | 202,319 | 216,865 | 235,351 |
| Profit before taxation | **5,584** | 34,383 | 22,403 | 29,186 |
| Income tax expenses | **(3,256)** | (6,090) | (3,483) | (4,868) |
| Profit for the year | **2,328** | 28,293 | 18,920 | 24,318 |

## ASSETS AND LIABILITIES

| | As at 31 March | | | |
|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Assets | | | | |
| Non-current assets | **31,909** | 7,272 | 7,268 | 6,297 |
| Current assets | **203,120** | 137,504 | 94,589 | 103,404 |
| Total assets | **235,029** | 144,776 | 101,857 | 109,701 |
| Equity and Liabilities | | | | |
| Total equity | **168,560** | 54,292 | 25,999 | 22,055 |
| Non-current liabilities | **263** | 118 | 564 | 316 |
| Current liabilities | **66,206** | 90,366 | 75,294 | 87,330 |
| Total liabilities | **66,469** | 90,484 | 75,858 | 87,646 |
| Total equity and liabilities | **235,029** | 144,776 | 101,857 | 109,701 |

*Notes: The summary of the consolidated results of the Group for each of the three years ended 31 March 2015, 2016 and 2017 and of the assets, equity and liabilities as at 31 March 2015, 2016 and 2017 have been extracted from the Prospectus.*

The summary above does not form part of the audited financial statements.